LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7537 | **NOTE PREPARED:** Jan 28, 2003
BILL NUMBER: HB 1832 | **BILL AMENDED:**

SUBJECT: Property tax matters.

FIRST AUTHOR: Rep. Saunders | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **X** **GENERAL** | **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: This bill provides that the next general reassessment of real property is effective in 2009 instead of 2006. It eliminates review by the county property tax assessment board of appeals of determinations by township assessors of land values.

This bill also provides that: (1) no notice to taxpayers other than the tax statement is required when assessments are determined by an annual cost multiplier; (2) the limitation on changing compensation of an elected county officer in the year for which it is fixed does not apply to amounts received for qualification as a level two appraiser; and (3) a county assessor is entitled to per diem for service on the property tax assessment board of appeals related to a general reassessment. The bill repeals the county land valuation commission.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Reassessment Delay*: The state pays homestead credits based on property tax billings for owner-occupied residential property. Beginning in CY 2003, the homestead credit is equal to 20% of a homeowner's net property tax liability for qualifying funds. Reassessment generally shifts more of the tax burden onto residential property, thereby increasing the state's liability for homestead credits. A three-year delay in the general reassessment and annual adjustments would also delay the state's increased homestead liability by three years. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in Homestead credit expenditures would ultimately affect the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *Reassessment Delay*: The cost to local government to complete the 1995 reassessment was about $68.4 M. According to the Department of Local Government Finance (DLGF), the cost to complete the current reassessment is estimated at about $70 M. Under this proposal, some expenditures for performing the next general reassessment would be delayed by three years. The expenditures for annual assessment adjustments would also be delayed. Reassessment expenditures are paid from the each county's Property Reassessment Fund.

Property Tax Assessment Board of Appeals (PTABOA): Currently, the township assessor must determine land values used in reassessment and submit them to the county PTABOA for review. The PTABOA must hold a hearing on the values and may change the values to provide uniformity and equality. If the county or township assessor fails to submit the values to the PTABOA, then the PTABOA must determine the values. If the PTABOA fails to determine the values, then the DLGF must determine the land values.

This bill would remove the PTABOA's review of land values and the PTABOA's (and DLGF's) responsibilities to set land values if they are not set by the local assessor (or the PTABOA). This provision would reduce the responsibilities of the PTABOA and could reduce county administrative expenses.

Annual Notices: Local assessors are required to send a notice of assessment to the owner of each parcel of real property any time the assessed value of that parcel is changed. This bill would remove the notice requirement for the annual adjustments that are currently scheduled to begin after the 2007 reassessment but would be delayed under this proposal. Under current law, a taxpayer's appeal rights are preserved even if they don't receive a notice. Taxpayers may file an appeal at any time, but must file it before May 10 of a year in which they didn't receive a notice for the appeal to affect taxes paid in that year. This elimination of the notices of annual adjustments could reduce local expenditures by up to $1.5 M per year for the processing and mailing of three million assessment notices in these interim years.

Land Valuation Commissions: County land valuation commissions were created by HEA 1499-2001 and will each consist of nine members. Under current law, after 2002, these commissions will determine the value of all land in the counties using Department of Local Government Finance guidelines. This bill would eliminate these commissions. There would be some administrative cost savings to each county with the elimination of these entities. It should be noted that IC 6-1.1-4-13.6 requires township assessors to set land values but IC 6-1.1-4-13.8 requites the county land valuation commissions to do the same.

Assessor Compensation: Currently, county assessors and elected township assessors who pass the level II assessor-appraiser exam are paid an additional $1,000 per year. Current law also prohibits any change to an elected county officer's compensation during the year for which it is fixed. This bill would allow the exam bonus to be applied at any time. This provision could increase county expenditures by a minimal amount.

Under current law, counties are permitted to pay a per diem to county and township assessors for their service to the county land valuation commissions. As stated above, this bill would repeal the commissions, resulting in a cost savings for those counties that have chosen to pay this per diem. The bill would also permit counties to pay a per diem to county assessors for their service to the county property tax board of appeals thereby increasing expenditures for those counties that choose to pay that per diem.

Explanation of Local Revenues: *Reassessment Delay*: Under current law, the next general reassessment is scheduled to begin on July 1, 2004 and is to be completed by March 1, 2006 with tax billings first affected in CY 2007. This bill calls for this reassessment to begin on July 1, 2007 and to be completed by March 1, 2009 which would affect tax billings in CY 2010. Future reassessments would be effective each four years after that. Current law also calls for a new annual adjustment program to begin after the 2007 reassessment. This bill would delay those adjustments as well.

Personal property (business tangible property and individual personal property) is reported each year on forms prescribed by the DLGF. These forms, in effect, reassess personal property each year. Since real property is not reassessed each year, and its value generally increases, there is a gradual shift of part of the property tax burden each year from real property taxpayers to personal property taxpayers until reassessment. The length of the reassessment cycle has an effect on the reassessment "shock" that many real property taxpayers experience after a reassessment. After a short cycle, the increase in taxes (or realignment of the shift) due to reassessment is relatively smaller than after a longer cycle. The delay in this bill would prolong the tax shift from real to personal property. When implemented, the annual adjustments that would be delayed under this bill will eliminate this gradual shift and the reassessment shock.

Local units would receive the same amount of revenue regardless of the effective date of the next general reassessment. It is the source of revenue that changes under reassessment. The only impact to local units would be to their bonding authority. Local units are bound by a constitutional 2% of AV debt limit. Delaying the reassessment would mean that local units would not receive an increase in bonding authority for an additional three years.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County and township assessors; County property tax assessment boards of appeals; County land valuation commissions.

Information Sources: Department of Local Government Finance.

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